The Real Estate ANALYST

DECEMBER 23
1955

Volume XXIV

Number 57

Real Estate Economists, Appraisers and Counselors

RECORD YEAR FOR MORTGAGES IN 1955

LACK of moderation seems to be one of the characteristics of our postwar boom, and one of the afflictions of the American people. Records of achievement in all lines of industrial or commercial endeavor have tumbled each year as first one group and then another whirls to new heights. The superlative has become so commonplace that it is now expected. Anything less is scorned.

With this new, and at times unfortunate, attitude has come a new way of discussing the activities of business, the affairs of the nation, and the state of the world.

What does all of this have to do with mortgages? It has a great deal to do with them. The performance of the mortgage business is described in the same terms and with the same strange lack of perspective used to describe almost all other types of human activity. There are few other topics of conversation that have been so surrounded with absurdities as has the subject of mortgage lending. Viewpoints have become so clouded with bias that disaster seems to loom even in a record year. When FHA-VA downpayments are raised a few points and maturity dates reduced by 5 years, ruination of the home building industry is forecast. Requiring buyers to make a token downpayment on their homes is translated into "depriving thousands of families of their right to home ownership." Senator Sparkman calls the system of discounts in FHA-VA loans a national scandal and threatens an investigation. It is difficult to keep perspective in an atmosphere so charged with exaggeration.

It is true that disaster may overtake the housing industry and that this disaster may follow closely upon the heels of unbounded prosperity, but if it does, it will not be because of the comparatively mild tightening of credit. It is far more likely that it will move in the wake of unlimited credit expansion, such as characterized lending operations in the early part of 1955.

FHA-VA terms should by no stretch of imagination be called "harsh," and the "right to home ownership" should certainly carry with it the responsibility of making a small downpayment. Today's home buyers have no more inherent rights to home ownership than did those of 10 or 20 or 30 years ago, yet by any

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MORTGAGE ACTIVITY IN PRINCIPAL CITIES

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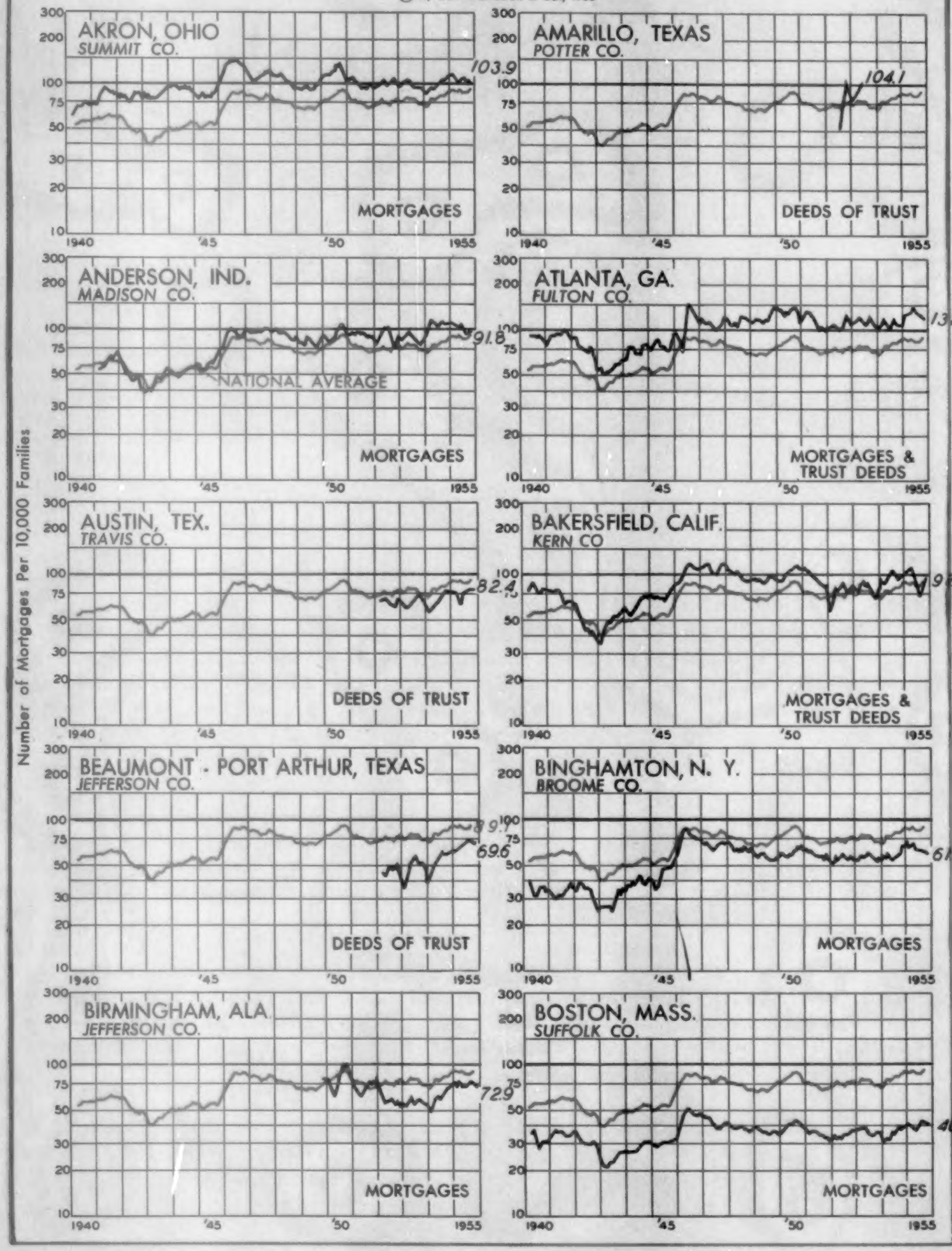
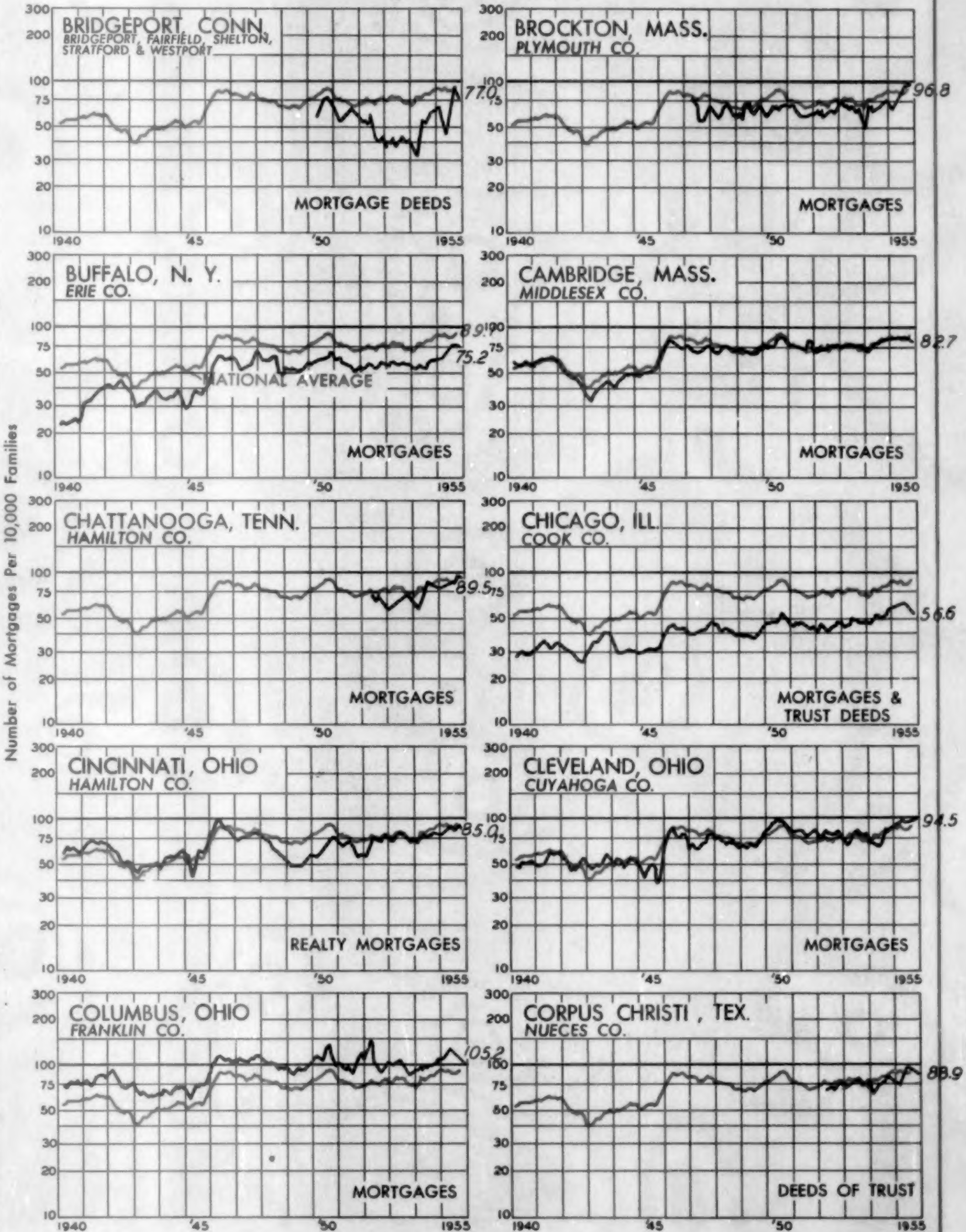
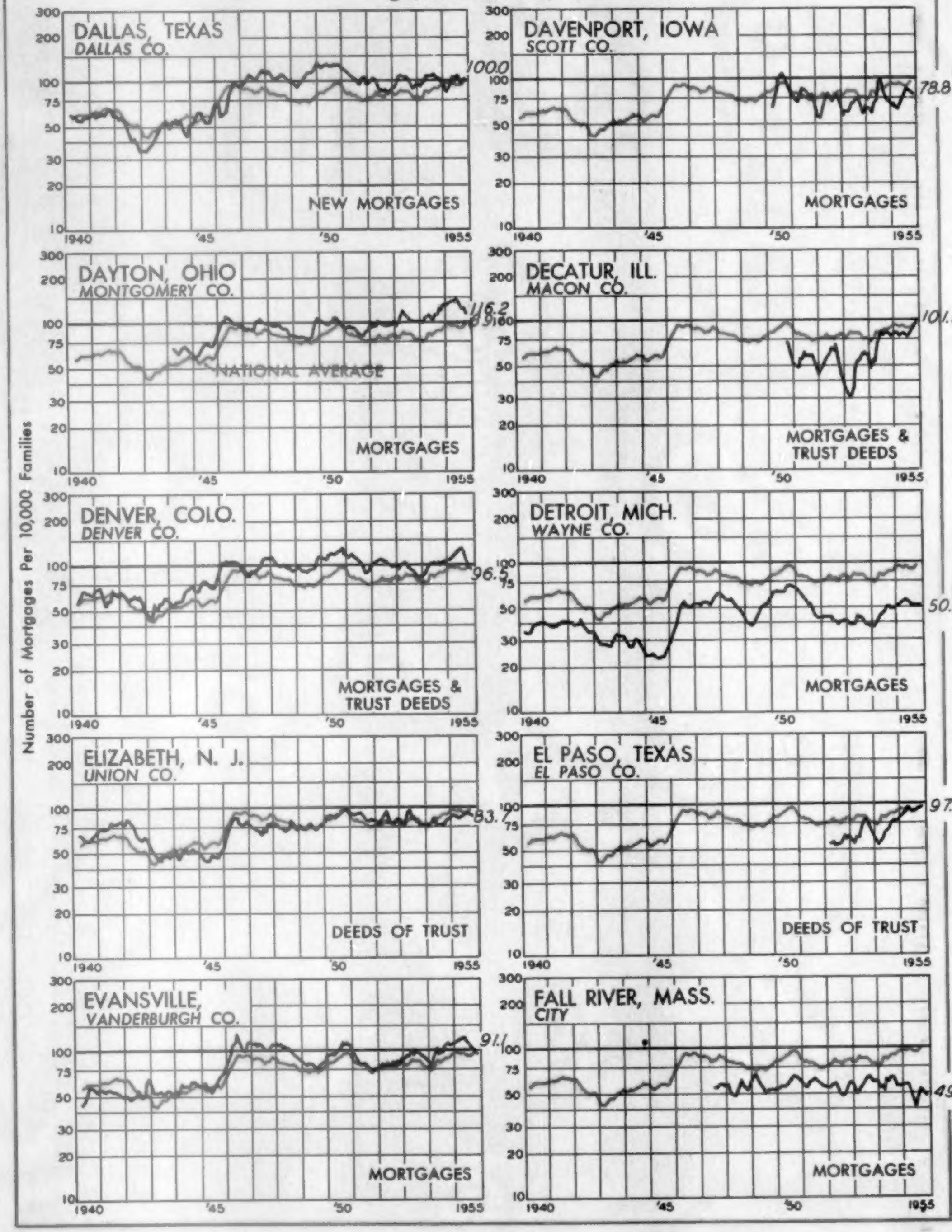


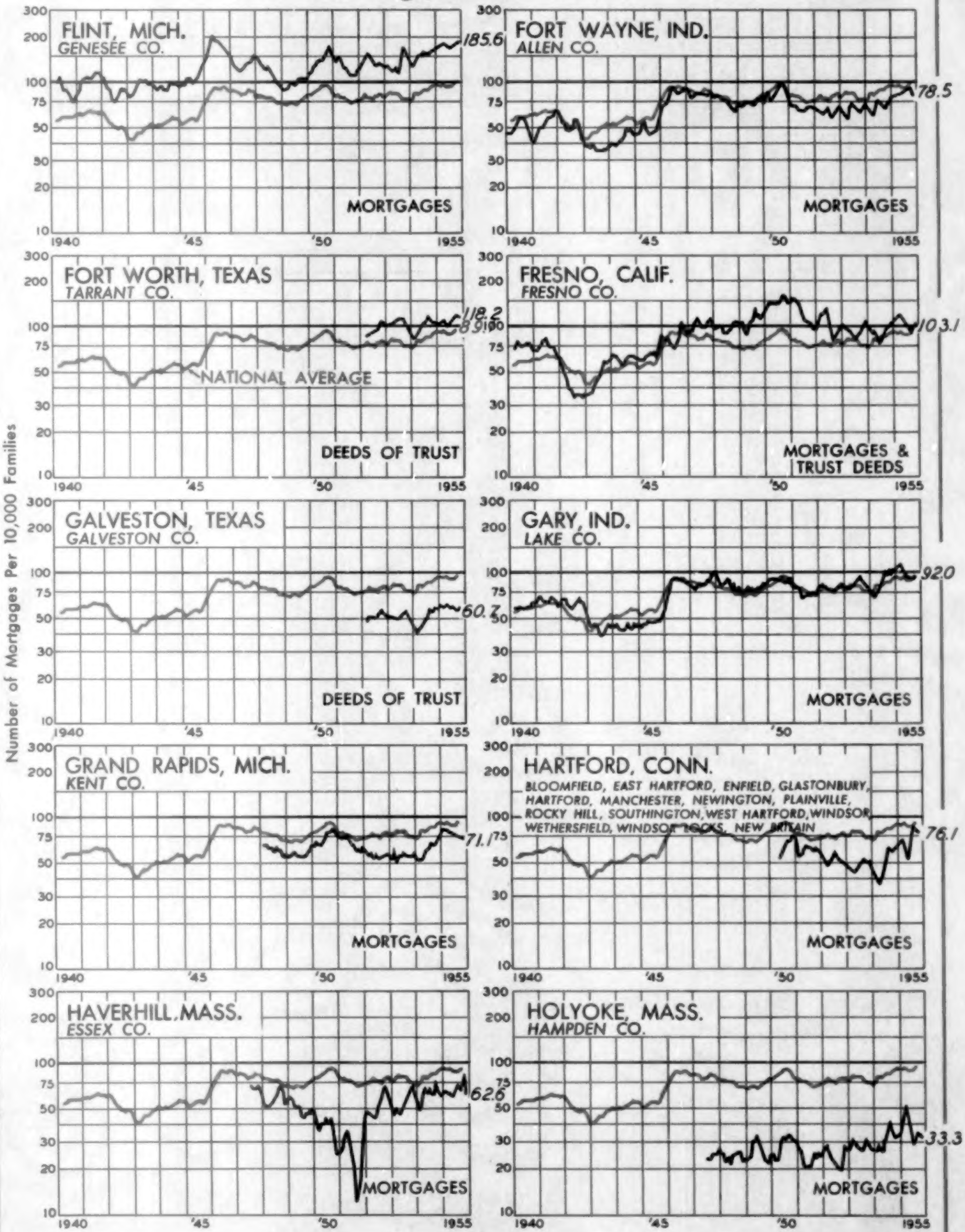
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

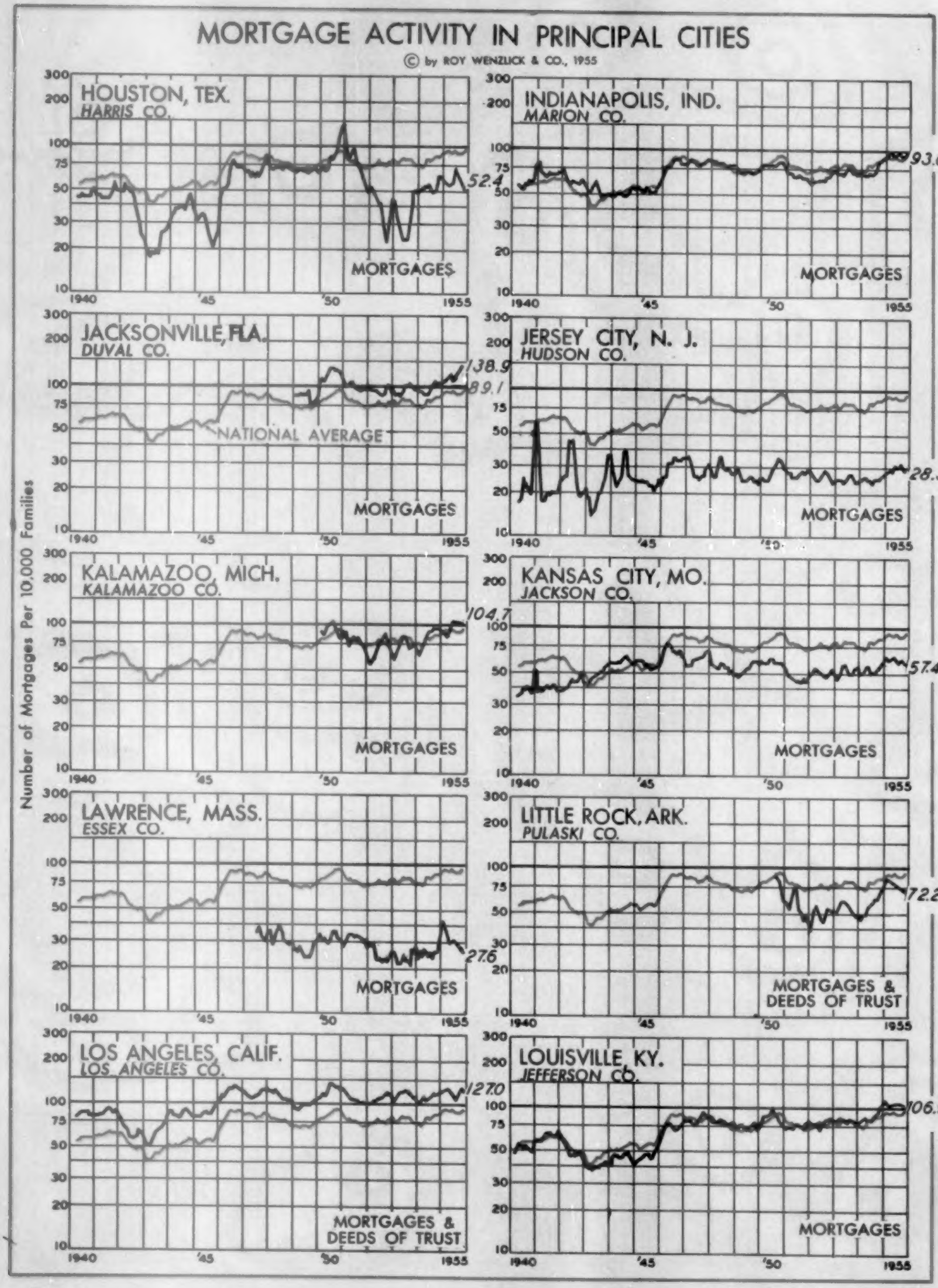


MORTGAGE ACTIVITY IN PRINCIPAL CITIES

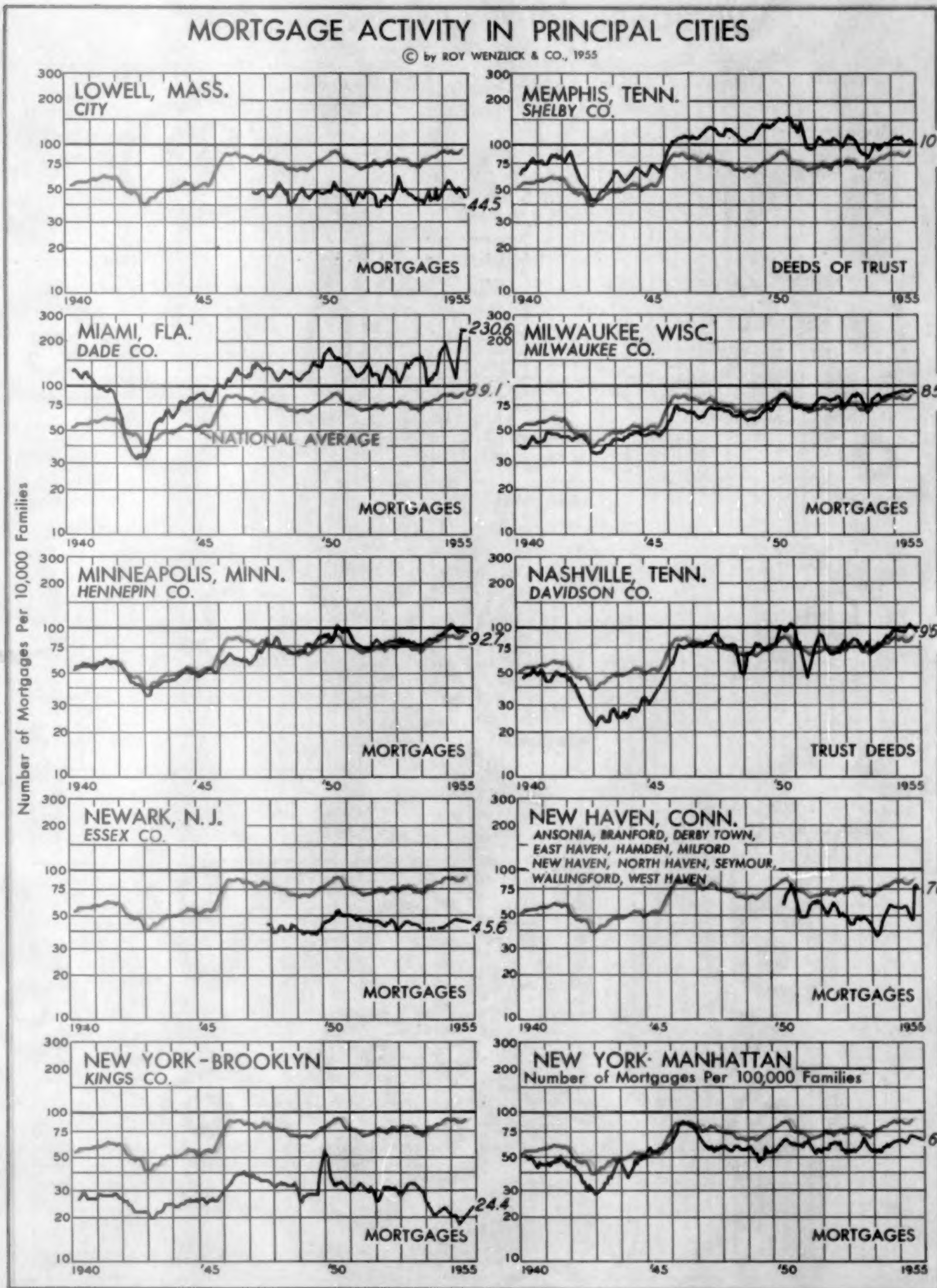


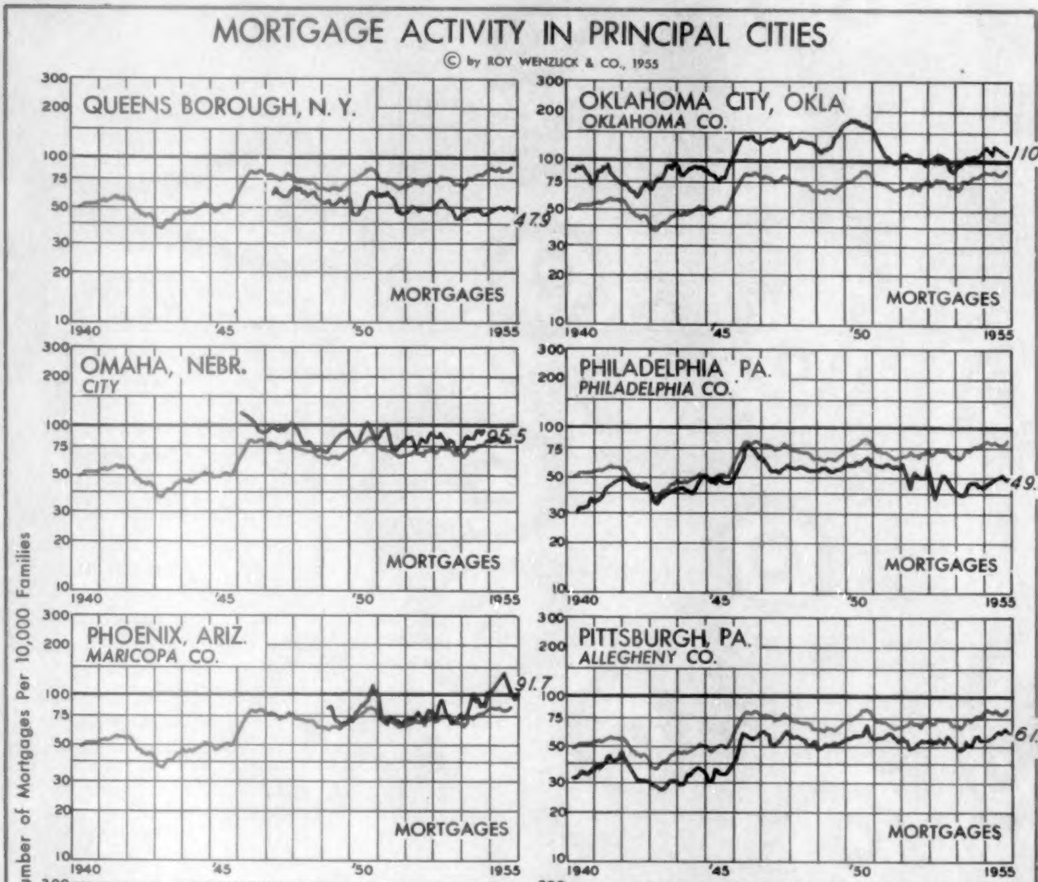
MORTGAGE ACTIVITY IN PRINCIPAL CITIES



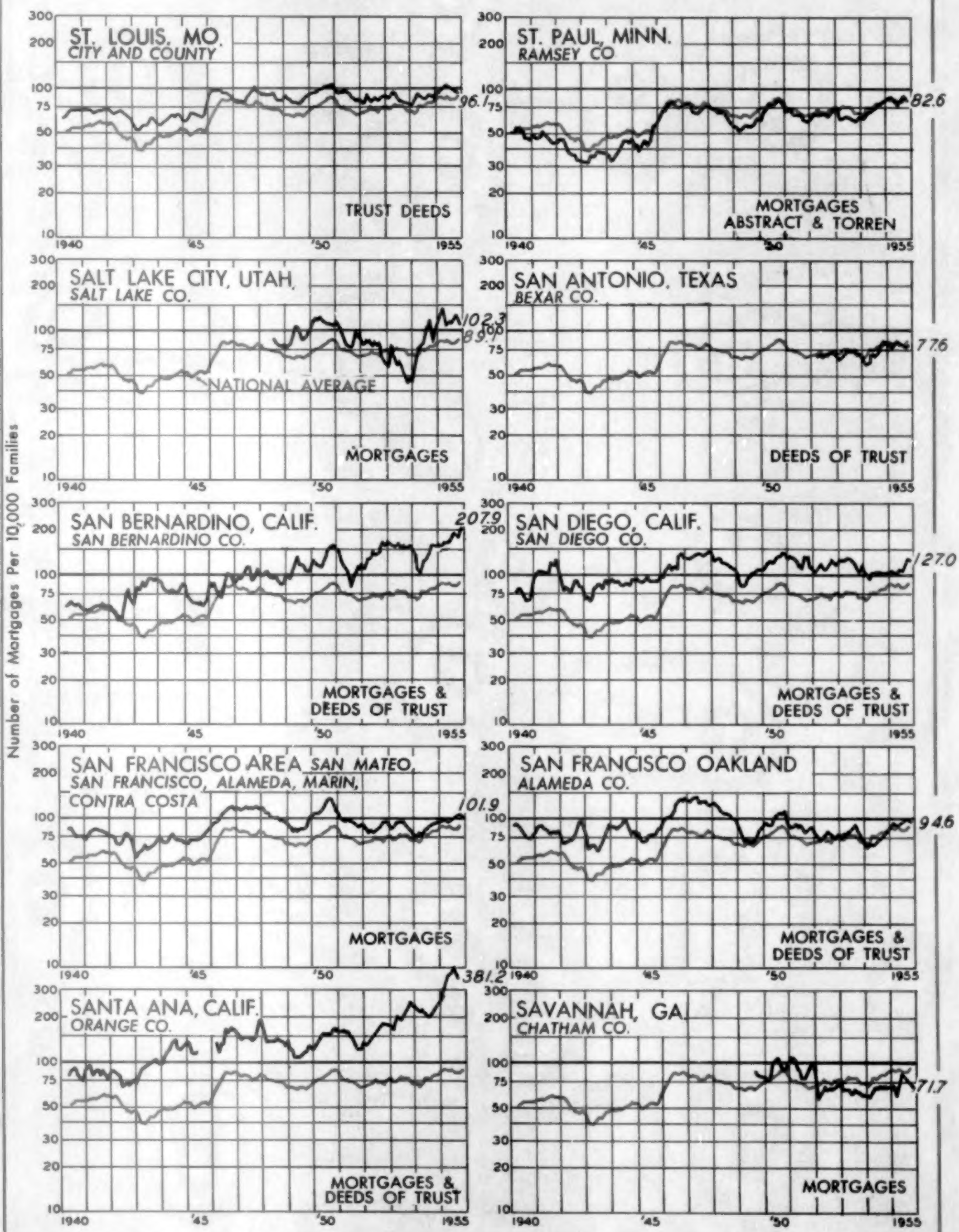


MORTGAGE ACTIVITY IN PRINCIPAL CITIES
© by ROY WENZLICK & CO., 1955
Number of Mortgages Per 10,000 Families
HOUSTON, TEX.
HARRIS CO.
MORTGAGES
52.4
INDIANAPOLIS, IND.
MARION CO.
MORTGAGES
93.0
JACKSONVILLE, FLA.
DUVAL CO.
NATIONAL AVERAGE
MORTGAGES
138.9
89.1
JERSEY CITY, N. J.
HUDSON CO.
MORTGAGES
28.3
KALAMAZOO, MICH.
KALAMAZOO CO.
MORTGAGES
104.7
KANSAS CITY, MO.
JACKSON CO.
MORTGAGES
57.4
LAWRENCE, MASS.
ESSEX CO.
MORTGAGES
27.6
LITTLE ROCK, ARK.
PULASKI CO.
MORTGAGES & DEEDS OF TRUST
72.2
LOS ANGELES, CALIF.
LOS ANGELES CO.
MORTGAGES & DEEDS OF TRUST
127.0
LOUISVILLE, KY.
JEFFERSON CO.
MORTGAGES
106.9
10
20
30
50
75
100
200
300
1940
'45
'50
1955

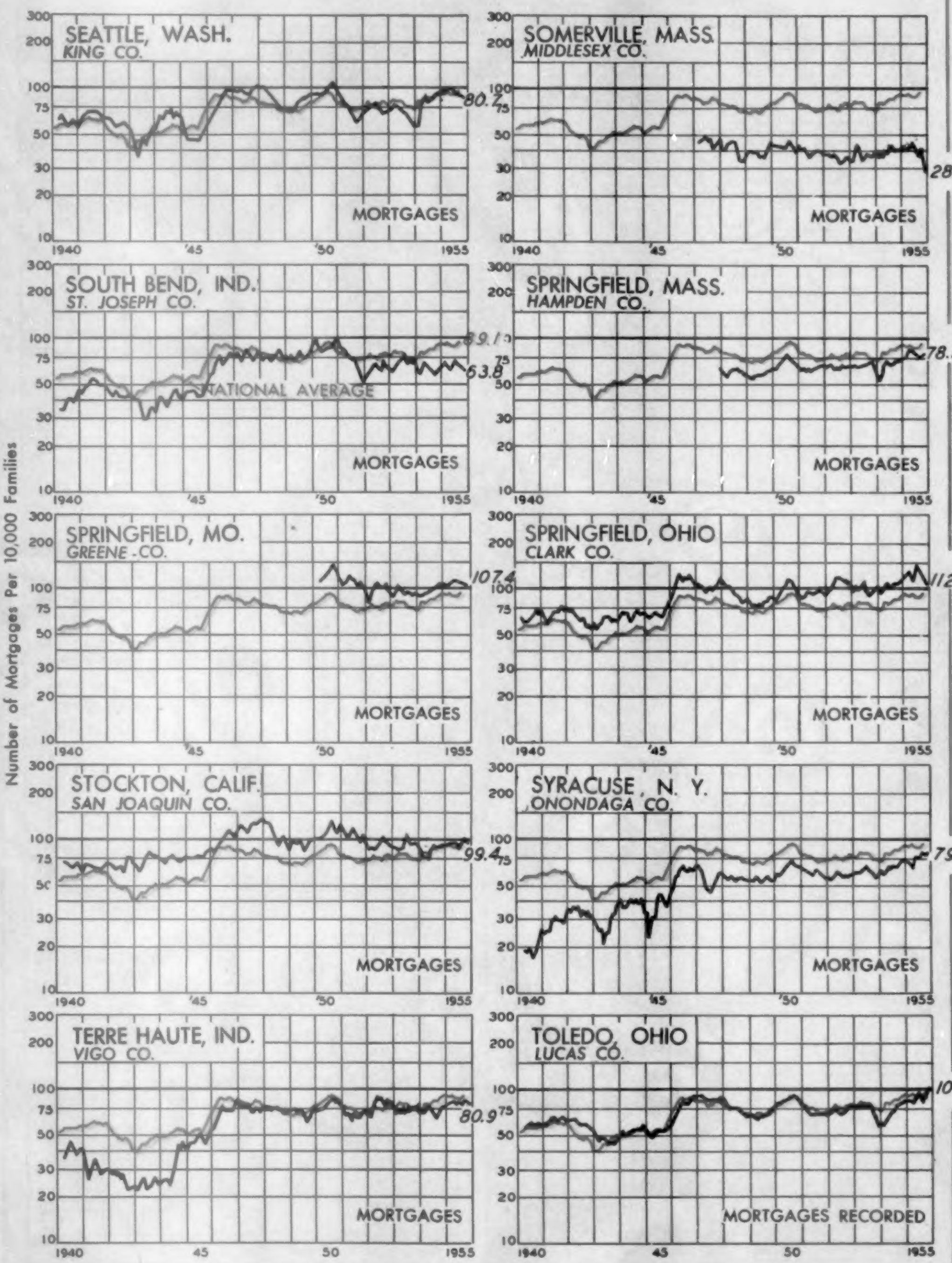

MORTGAGE ACTIVITY IN PRINCIPAL CITIES
© by ROY WENZLICK & CO., 1955
Number of Mortgages Per 10,000 Families
LOWELL, MASS.
CITY
MORTGAGES
44.5
MEMPHIS, TENN.
SHELBY CO.
DEEDS OF TRUST
103.0
MIAMI, FLA.
DADE CO.
NATIONAL AVERAGE
MORTGAGES
230.6
89.1
MILWAUKEE, WISC.
MILWAUKEE CO.
MORTGAGES
85.9
MINNEAPOLIS, MINN.
HENNEPIN CO.
MORTGAGES
92.7
NASHVILLE, TENN.
DAVIDSON CO.
TRUST DEEDS
95.9
NEWARK, N. J.
ESSEX CO.
MORTGAGES
45.6
NEW HAVEN, CONN.
ANSONIA, BRANFORD, DERBY TOWN,
EAST HAVEN, HAMDEN, MILFORD
NEW HAVEN, NORTH HAVEN, SEYMOUR,
WALLINGFORD, WEST HAVEN
MORTGAGES
76.3
NEW YORK-BROOKLYN
KINGS CO.
MORTGAGES
24.4
NEW YORK- MANHATTAN
Number of Mortgages Per 100,000 Families
MORTGAGES
64.7
300
200
100
75
50
30
20
10
1940
'45
'50
1955


MORTGAGE ACTIVITY IN PRINCIPAL CITIES
© by ROY WENZLICK & CO., 1955
Number of Mortgages Per 10,000 Families
QUEENS BOROUGH, N. Y.
47.9
MORTGAGES
OKLAHOMA CITY, OKLA
OKLAHOMA CO.
110.2
MORTGAGES
OMAHA, NEBR.
CITY
95.5
MORTGAGES
PHILADELPHIA PA.
PHILADELPHIA CO.
49.1
MORTGAGES
PHOENIX, ARIZ.
MARICOPA CO.
91.7
MORTGAGES
PITTSBURGH, PA.
ALLEGHENY CO.
61.3
MORTGAGES
PORTLAND, ME.
CUMBERLAND CO.
89.4
NATIONAL AVERAGE
MORTGAGES
PORTLAND, OREG.
MULTNOMAH CO.
61.8
MORTGAGES
READING, PA.
BERKS CO.
44.3
MORTGAGES
RIVERSIDE, CALIF.
RIVERSIDE CO.
156.9
MORTGAGES & DEEDS OF TRUST
1940
'45
'50
1955
10
20
30
50
75
100
200
300

MORTGAGE ACTIVITY IN PRINCIPAL CITIES



MORTGAGE ACTIVITY IN PRINCIPAL CITIES



MORTGAGE ACTIVITY IN PRINCIPAL CITIES

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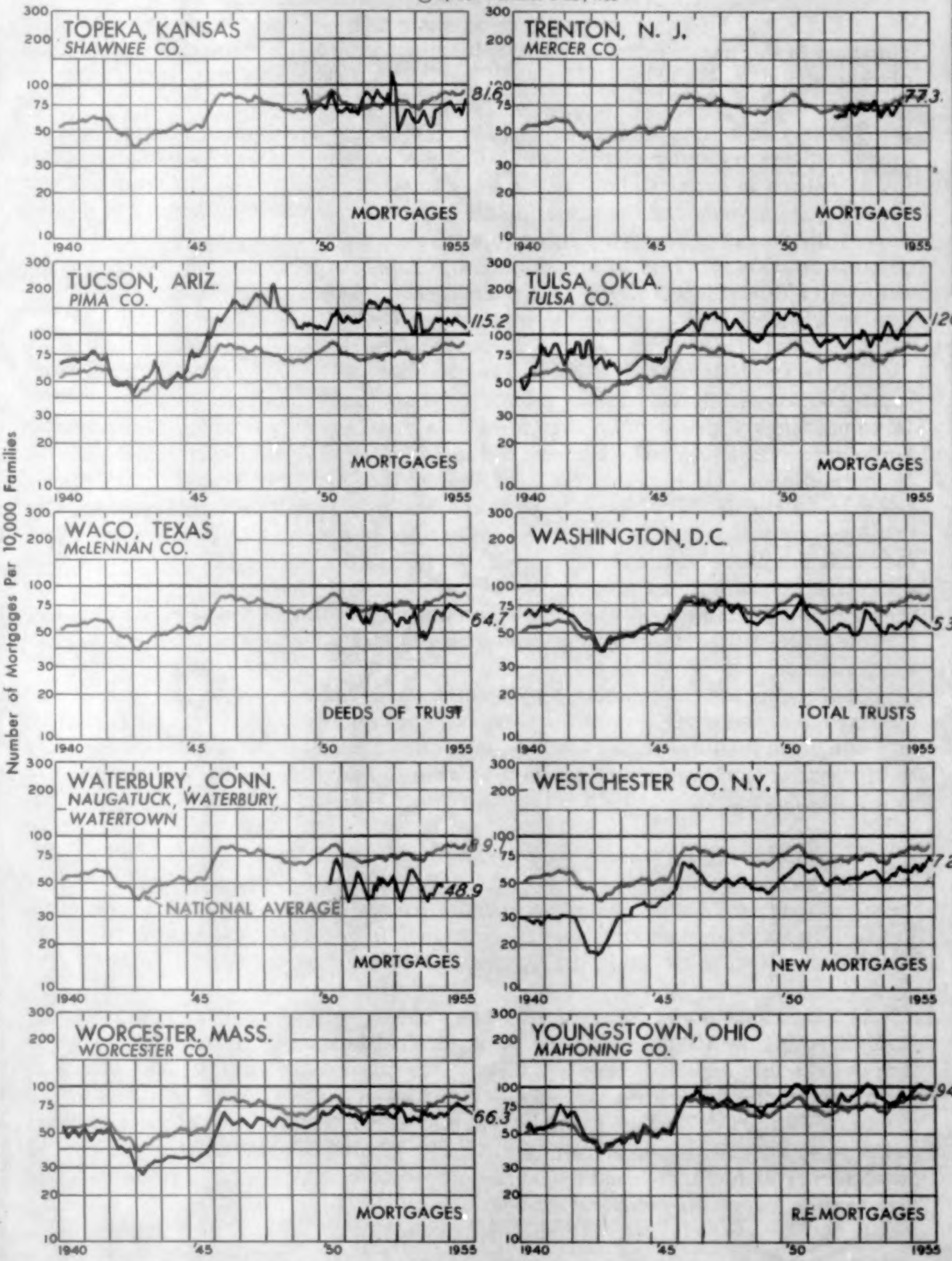


RECORD YEAR FOR MORTGAGES IN 1955

(cont. from page 533)

standard in the past, today's "harsh" lending terms are among the most lenient of record.

There was a time in the recent past when home loans were bought and sold at a premium. Lenders had an oversupply of money and were willing to take a lower return in order to put their money to work. Today the situation has reversed. Unprecedented demands for funds for all purposes have brought a temporary shortness of mortgage funds, and so the rate of return must be higher. If Senator Sparkman wants to investigate this natural functioning of the free market, which he evidently views as a phenomenon, he should go ahead - but where was he when the swing was in the other direction?

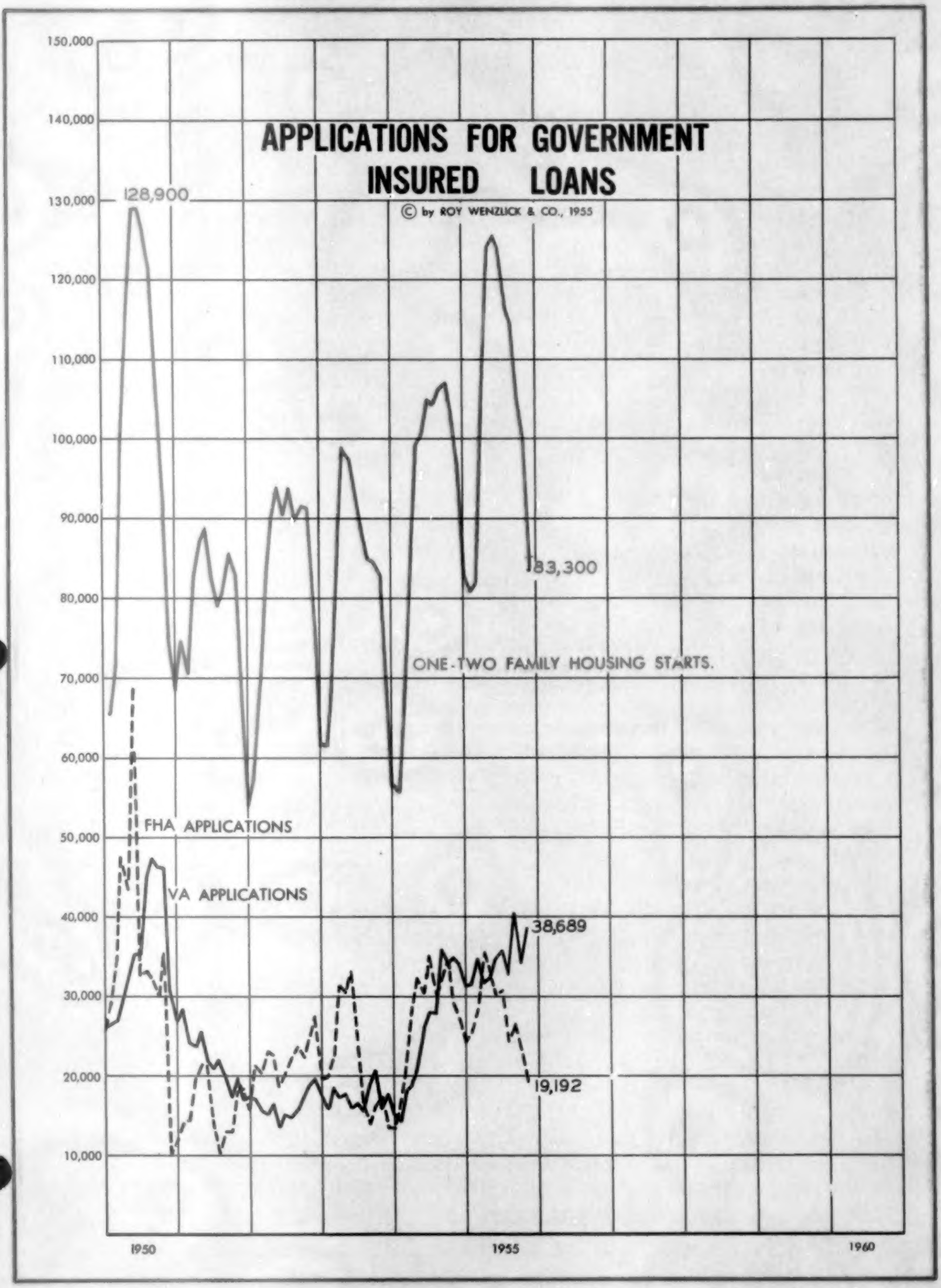
There is no doubt that a good many builders are being hurt by the current money shortage. Having to pay points for their loans cuts into their profit, and in some cases wipes it out. It is also true that real estate brokers are finding home sales harder to make because of the difficulty of finding loan terms suitable to their clients. On the other hand, it was not long ago when lenders were paying premiums and finders' fees tc brokers and premiums to builders, either in the form of points (up to 5 in rare cases) or in services to the builder. The fact that the price of money will rise and fall is one characteristic of the free economy. Both builder and broker are ancient and eloquent proponents of the free economy, and in this they show considerable wisdom. However, they are somewhat less than wise if they expect it to operate in only one direction.

Concerning the Government's part in the lending picture there is a well-known but hard-learned truth - what the Government gives it can also take back. If it can stimulate lending, it can also choke it off. Therefore, anyone who operates to any extent on Government support is wise to hedge against the withdrawal of that support.

Regardless of the widespread dissatisfaction among builders and brokers over the shortness of mortgage money, 1955 will reach new highs for dollar volume and number of mortgages recorded. Because of the lag between the time the loan is negotiated and the time the mortgage is recorded, the tight credit condition has not yet shown up in the figures on mortgage recordings.

As late as October, recordings were running well ahead of the same month last year. Of the 100 cities charted on pages 534 through 543, up-to-date information is available on 95. There are 83 of these cities where the number of mortgages recorded during August, September, and October 1955 is ahead of the number recorded during the same period last year. Twenty-five of them showed gains up to 5%; 20 showed gains of 6 to 10.9%; 22 showed gains of 11 to 20.9%; 10 gained from 21 to 30.9%; and 6 of these cities showed gains of 31% or more over last year's August-September-October.

(cont. on page 547)



APPLICATIONS FOR GOVERNMENT
INSURED LOANS
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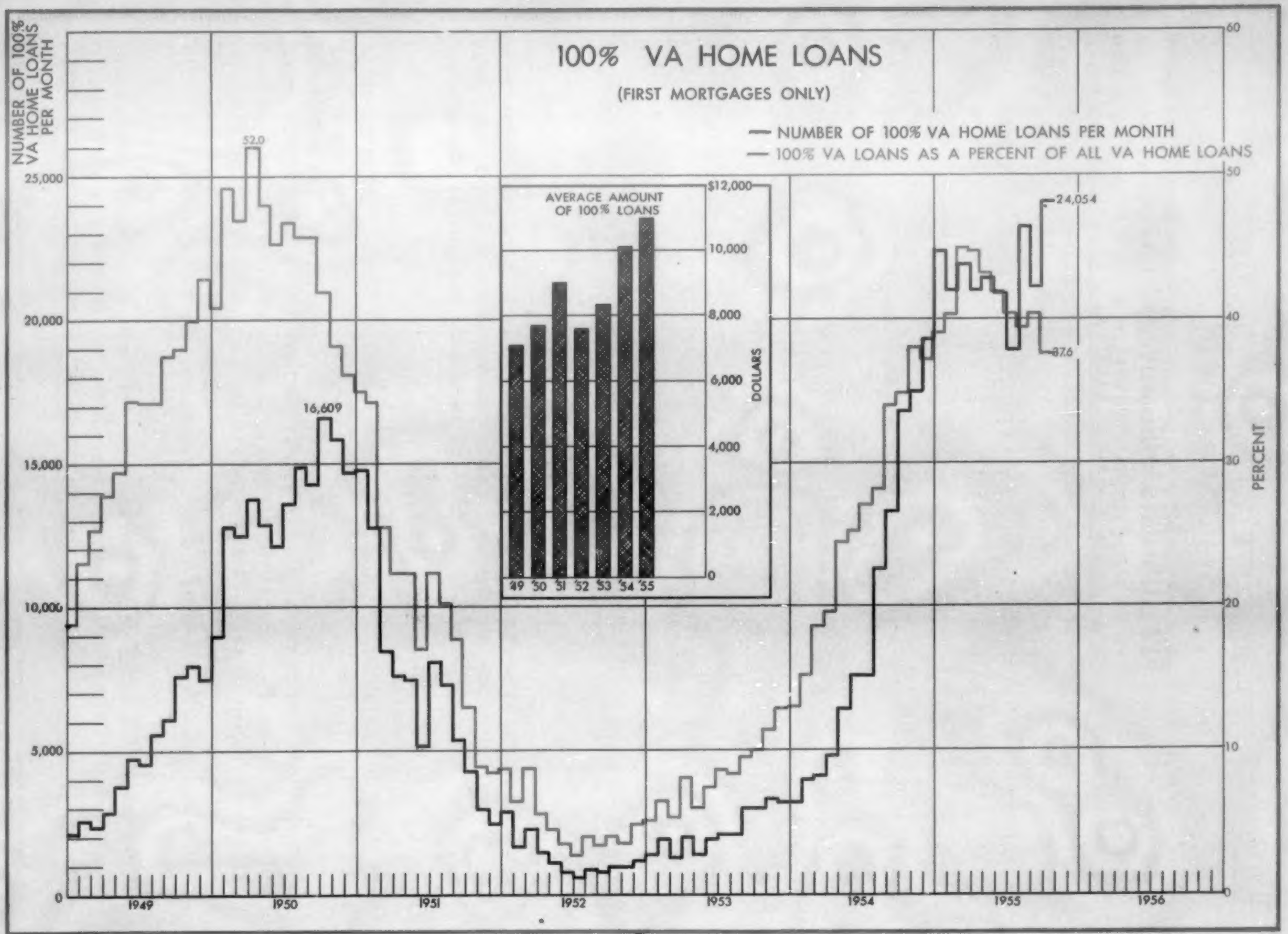
128,900
83,300
ONE-TWO FAMILY HOUSING STARTS.
FHA APPLICATIONS
VA APPLICATIONS
38,689
19,192
150,000
140,000
130,000
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
1950
1955
1960


100% VA HOME LOANS
(FIRST MORTGAGES ONLY)
NUMBER OF 100% VA HOME LOANS PER MONTH
100% VA LOANS AS A PERCENT OF ALL VA HOME LOANS
NUMBER OF 100% VA HOME LOANS PER MONTH
PERCENT
52.0
16,609
24,054
37.6
AVERAGE AMOUNT OF 100% LOANS
DOLLARS
$12,000
10,000
8,000
6,000
4,000
2,000
0
'49 '50 '51 '52 '53 '54 '55
25,000
20,000
15,000
10,000
5,000
0
60
50
40
30
20
10
0
1949 1950 1951 1952 1953 1954 1955 1956

RECORD YEAR FOR MORTGAGES IN 1955
(cont. from page 544)

Biggest of these gains was in Santa Ana, California, where 10,268 mortgages were recorded during August-September-October 1955. This was a gain of 75% above the number recorded during the same period in 1954. San Diego was also among the leaders. Here, 9,219 mortgages recorded in August-September-October of this year were 52% ahead of the same period of last year.

Other big gains were in Miami, Florida, up 45%; Waterbury, Connecticut, up 39%; and Decatur, Illinois, up 34%. These last two have very low volumes despite the gains.

In terms of volume for August-September-October 1955, the leaders are:

	Number of Mortgages Recorded	
City	1955	1954
Los Angeles	65,500	59,600
Chicago	27,200	25,900
San Francisco	25,000	22,000
Miami	15,400	10,600
Cleveland	13,800	12,500
St. Louis	13,000	12,000
Detroit	12,800	12,400

It is amazing to see how Los Angeles continues to outstrip the rest of the cities by such a tremendous margin. It is also surprising to find San Francisco ahead of some of the larger cities and so close to the volume achieved in Chicago.

Not all cities report gains. There were 12 where the number of mortgages recorded during August-September-October 1955 was below that of the same period last year. Among the leading cities, or those with high mortgage activity in the past, the biggest drop was experienced by Houston, Texas. The number of mortgages recorded there in August-September-October 1954 was 5,650, compared with 4,870 during the same period this year. This amounts to a decline of almost 14%. In Evansville, Indiana, the decline was also 14%, and in Seattle, Washington, it was 8%. Dayton, Denver, San Antonio, and Washington, D. C., got off with declines of 3%. Of all 12 cities that declined, the average drop was 6.5%.

To compare the mortgage business in your city with that done in other cities, look at the charts on pages 534 through 543. These charts show mortgage activity in 100 cities, expressed in terms of the number of mortgages recorded per

10,000 families.* On each chart the city activity (blue line) is compared with the national average (red line). This type of presentation gives you a more realistic comparison on a city-by-city basis by eliminating the distortion caused by differences in population. For example, we all know that Chicago will record a much larger number of mortgages than Tulsa. On the other hand, when the figures are expressed as the number of mortgages per 10,000 families, we find Tulsa mortgage activity about twice as high as Chicago's. In studying these charts you will find many interesting city-by-city comparisons. For example, it may be interesting to compare Los Angeles activity with that of other California cities - or Chicago, Detroit, and Cleveland with each other.

On page 545 is a chart showing the applications for Government-insured or guaranteed loans compared with one- and two-family housing starts. You will notice that the applications for VA loans are still at a very high level, while those for FHA loans have dropped considerably in recent months.

This same trend in VA loans is shown by the chart on page 546. Here you see that the number of 100% VA loans reached an alltime high in October. This is, of course, a reflection of the fact that prior commitments for 100% loans were extremely heavy before the ban on them went into effect several months ago.

What steps the Government will take to restore credit to its wide-open status is questionable. Already some loosening has occurred, the latest being the Federal Home Loan Bank Board's order of December 13. This order relaxes the credit restraints imposed last July and September by allowing a member to borrow from the FHLBB amounts equal to 5% of its aggregate withdrawable accounts, provided total advances outstanding to any member do not exceed 10% of such accounts. Apparently this means that if a member institution already has outstanding advances amounting to 5% of its withdrawable accounts, it can borrow another 5%, or up to the limit of 10% of the amount of the withdrawable accounts.

Other easing of credit is virtually promised by Albert Cole, HHFA Administrator, with the implication that it will be no later than the spring of 1956.

On balance, 1955 is certain to go down as one of the finest years the real estate and construction industry has had. That it is not equally as high in all cities or as bountiful to all segments of the industry, is part of the system. Nonetheless, there are few cities that will not look back on 1955 with a feeling of accomplishment. As to the brokers and builders, the last part of this year might have been rough, and perhaps there'll be more of the same in 1956, but by far their best years are yet to come.

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*The tremendous number of apartments and office buildings on Manhattan Island makes for an artificially low rate when figured on the basis of 10,000 families. For this one chart, therefore, we have charted the data on the basis of the number of mortgages per 100,000 families.